

N E W S R E L E A S E

Contact: Loree Levy
Patti Roberts
(916) 654-9029

Date: November 6, 2007

News Release No.: 07-96

EDD and IRS Enter Historic Agreement to Exchange Employment Tax Data *Shared Data Will Reduce Fraudulent Filings and Worker Misclassifications*

WASHINGTON, D.C. – California's Employment Development Department (EDD) signed a memorandum of understanding today with the Internal Revenue Service (IRS) that provides, for the first time, a centralized and uniform mechanism for the two agencies to exchange employment tax data.

"This cooperative effort provides a foundation for elevating our long-standing partnership with the IRS to a new level," said EDD Director Patrick Henning. "Earlier identification and sharing of information about noncompliant businesses between the IRS and the state partners, along with more collaborative enforcement actions, will help close the federal and state tax gaps and promote a level competitive playing field for law-abiding businesses."

By leveraging the resources of both agencies, the agreement will increase the level of compliance with federal and state regulations that govern employment and unemployment taxes, as well as reduce fraudulent filings, schemes and worker misclassifications.

EDD joined other state workforce agency administrators for the Washington D.C. signing ceremony, which was held in the IRS Building at 1111 Constitution Ave. To date, 30 state workforce agencies have signed the agreement, officially known as the Questionable Employment Tax Practices Memorandum of Understanding.

Other benefits resulting from the agreement include:

- Increased collection of federal and state employment/unemployment tax debts;
- Fostering of joint working relationships, including a multi-agency oversight group to establish uniform processes through collaborative agreements and legislative proposals;
- Reduction of state and federal tax gaps to ensure that all businesses are operating on a level playing field and paying their proper share of employment taxes; and
- Coordinated outreach and education activities with a consistent message to help the greatest number of businesses voluntarily meet their employment and unemployment tax responsibilities.

The U.S. Department of Labor, the National Association of State Workforce Agencies, and the Federation of Tax Administrators worked closely with California, other states and the IRS to develop and support the agreement.

###